

proportions to take care of any obligations required to meet retirement payments. But also I believe it would be much wiser and better financial business to heed the suggestions of the Board of Actuaries and of the Civil Service Commission that legislative action be taken before the emergency arises. That is why I hope that Congress at this session will give favorable consideration to proposed legislation which would provide a solution of the situation on a gradual basis over a period of years.

TRIBUTE TO SALVATION ARMY

Mr. CARLSON. Mr. President, this year, the Salvation Army, which has rendered humanitarian service through peace and war, will be observing its centennial.

On July 2, the Salvation Army will celebrate its centennial anniversary at Westminster Abbey, London. Celebrations will also be held not only in our own Nation, but in many countries of the world. The entire year of 1965 might well be devoted to commemorating the founding of this great organization.

The Salvation Army is active in 69 countries throughout the world, including 11 in Europe. It uses 162 languages for preaching the Word. It operates from about 18,000 centers, including more than 2,000 social institutions, and it has nearly 900 day schools, mostly in non-Christian lands. Nearly 40,000 bandmen and 16,000 boys play Salvation Army music.

The Army operates more than 3,000 welfare institutions, including 31 general hospitals, 70 clinics, 367 hostels for homeless men and women, 66 employment bureaus, 88 maternity homes for unwed mothers, 38 maternity hospitals, 145 children's homes, 30 boarding schools, 115 camps, 6 leprosaria, 10 institutes for the blind, 30 centers for alcoholics, and 51 residence hotels.

The original aim of the Salvation Army was the saving of souls and exposing evil social conditions. These objectives have not changed, but the methods of dealing with these problems have been modernized to meet present-day conditions.

Th basic problems which faced Gen. William Booth, the Army's founder, still exist today. His outstanding work is carried on now by thousands of salvationists who are keeping contact with the common people.

Today the Salvation Army has more than 5,000 officers in the United States alone, and 8,072 work and worship centers with 283,109 members there.

The millions of American men and women who served in our Armed Forces will never forget the kindly word and warm welcome from the Salvation Army personnel—the friendly smile of the Salvation Army lass—the doughnuts and coffee—the encouragement and inspiration they received in training areas and on the battlefield in every sector of the globe.

Recently the Salvation Army in my own State of Kansas was called on and rendered outstanding service during one of the most disastrous air crashes in our State's history.

Capt. Ramon L. Wert, area director for the Salvation Army Civil Defense Unit in Wichita, Kans., advises me that on January 16, on the day of the crash, they immediately set up operations in the area which was so badly devastated. They continued their work in this area for 6 full 24-hour days.

Captain Wert wrote me as follows:

On Sunday, it was ascertained that we would be there at least 4 or 5 more days and that we would need supplies. A plea for supplies was issued via the TV stations and radio stations at 3 p.m., Sunday, January 17, 1965. The response was so overwhelming, so much was given that we had to ask the TV and radio media to discontinue our distress call at 5:30 p.m., Sunday, January 17, 1965. So many people came direct to the disaster area, bringing their donations, that they were blocking the streets. All in all, the people of Wichita donated over 9 tons of food-stuffs, including canned goods, bread, doughnuts, chile, hot chocolate, coffee, cakes, pies, milk, orange juice, soups, cups, napkins, etc., ad infinitum.

Captain Wert also wrote in his report of the outstanding assistance they received from Salvation Army units and citizens generally in Wichita and other areas.

Here again the Salvation Army proved its effectiveness in time of emergency.

PROPOSED JOINT COMMITTEE ON THE BUDGET

Mr. MCLELLAN. Mr. President, the first bill passed by the Senate this year was S. 2, a bill to create a Joint Committee on the Budget. This marks the seventh time that I have offered this proposal and the seventh time that it has been adopted by the Senate since 1952.

The measure has consistently received the unanimous support of the Members of this body and continues to do so, as evidenced by the fact that it was sponsored by 77 Senators this year. The bill has not heretofore, except for the first time it passed, had a vote cast against it.

I regret to say, however, that the other body has not yet manifested the interest or given the support to the bill that it deserves. This year we are hoping for passage by the House. Our constitutional responsibility for appropriating funds for the operation of the Government increases with each dollar added to the budget. In these days of \$100 billion budgets we need a Joint Committee on the Budget, staffed with nonpartisan fiscal experts, to help us discharge our obligations to the taxpayers more intelligently and prudently than is possible under the present system.

Mr. President, support for this measure appeared in an editorial of the Washington Post on Sunday, February 14, and I ask unanimous consent to have this article, calling for the enactment of S. 2, printed at this point in the Record.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

[From the Washington (D.C.) Post, Feb. 14, 1965]

MR. MAHON'S OPPORTUNITY

The House Appropriations Committee has a unique opportunity for statesmanship under its current chairman, Representative GEORGE H. MAHON. For many years the Sen-

ate has been working for the creation of a Joint Congressional Committee on the Budget with a staff of professional experts who would study spending programs and help Congress with its appropriation problems on a year-round basis. The House Appropriations Committee under Mr. MAHON's predecessor showed no interest. With the more cooperative spirit that now prevails, there is once more hope that a professional staff of budget experts serving both houses will be created.

Recently the Senate passed a bill for this purpose. It is the seventh time it has done so since 1952. An accompanying report points out that the bill would avoid the duplication of staff work, would stimulate joint hearings on appropriation bills and thus speed the legislative process. Assurance is given that the proposed Joint Committee on the Budget is not designed to interfere with any prerogative which the House now possesses, such as the right of initiating money bills.

Students of Congress have long urged this reform as one of the most effective means of facilitating the study of our \$100 billion budgets. Mr. MAHON could render a great service to his fellow Members of Congress and to the country by putting aside prejudices of the past and sponsoring this bill on its merits.

INTER-AMERICAN DEVELOPMENT DAM

The PRESIDING OFFICER (Mr. HARRIS in the chair.) The Senator from Ohio is recognized.

Mr. LAUSCHE. Mr. President, pending on the Senate Calendar is S. 805, a bill to increase the resources in the fund for special operations of the Inter-American Development Dam. The bill would authorize the Federal Government to subscribe \$750 million to this bank in the next 3 years, at the rate of \$250 million a year.

I voted against the proposal in the Committee on Foreign Relations. I was the only one who did so. At first, I indicated my approval of the bill. Later I called in to change my vote. I did so because subsequent to the meeting which I attended, testimony was given concerning the adverse impact that this authorization, if carried into effect, would have on the imbalance in our international payments, which already is a very acute problem, as my colleagues well know.

A representative of the State Department testified that 80 percent of the \$750 million would be spent in buying products made in the United States. That seemed acceptable to me. I thought that the impact on the imbalance in payments would be \$150 million at the most. However, a transmitted letter from the International Economic Policy Association was presented before the committee. I assume that the speed with which the bill was passed made it impossible for this agency to appear and testify. This association, through its representative, points out in its paper that the adverse impact on our imbalance in payments will probably be 40 or 50 percent, instead of the 20 percent that was described at the hearing when I was present. If it is a fact, it is a serious one. We are now in the process of removing the first leg from the support of our dollar currency. That bill, in which the 25-percent support of deposits of member banks in the

Federal Reserve System is involved, will be up for hearing.

When we shall have removed the 25-percent gold support on deposits, the next step will be to remove the 25-percent gold support on the currency of the Nation. All of this is the result of the fact that we are spending more dollars abroad than foreign nations are spending in the United States. Our gold reserves are down to \$15 billion. Twelve and one-half billion of that \$15 billion we now earmark to support the Federal Reserve System's operations.

The \$2.5 billion are available to meet the claims of \$25 billion held by short-term creditors throughout the world. To me there is no more serious problem confronting the country—except the threat to our security—than what is going to happen to the dollar. The pensioners, the annuitants, the holders of Government bonds, people with bank deposits accumulated to carry them, in some degree, through their old age, are not conscious of the fact that we are in the first step of setting into motion forces that are going to erode away the buying power of the dollar.

If the bill, on which hearings are to be held, becomes law, which will result in an additional \$375 million in our imbalance in international trade payments, I respectfully submit that we shall merely aggravate the grave problem confronting the people of this Nation.

I contemplate making further inquiry as to whether the impact will be \$150 million or whether it will be more.

I therefore ask unanimous consent that the statement of the International Economic Policy Association be printed in the Record so that my colleagues may have the benefit of the statement.

There being no objection, the statement was ordered to be printed in the Record, as follows:

STATEMENT OF THE INTERNATIONAL ECONOMIC POLICY ASSOCIATION SUBMITTED TO THE SENATE FOREIGN RELATIONS COMMITTEE ON S. 805, A BILL TO INCREASE THE RESOURCES OF THE FUND FOR SPECIAL OPERATIONS OF THE INTER-AMERICAN DEVELOPMENT BANK, FEBRUARY 8, 1965

S. 805 would empower the U.S. Governor of the Inter-American Development Bank (IDB) to vote in favor of an increase of \$900 million in the resources of the Fund for Special Operations (FSO)—the soft loan window of the Inter-American Development Bank. This increase will provide \$300 million a year for the next 3 years for this portion of the Bank's activities. The U.S. contribution is to be \$750 million or \$250 million per year for fiscal 1965, 1966, and 1967. This represents 83.3 percent of the total contributions. The Latin American contribution is to be \$150 million or \$50 million per year. This represents 17.7 percent of the total contributions.

The IEPA feels that this bill is most untimely. It is clear that the U.S. balance-of-payments deficit became critically large again in the fourth quarter of 1964 and that the administration is now giving serious consideration to new, more vigorous actions, to reduce our persistent deficit.

Among the new steps likely to be taken are: (1) application of the interest equalization tax to long-term bank loans; (2) a limitation of the Canadian exemption under the interest equalization tax; and (3) an exit tax on the passports of U.S. tourists.

Irrespective of the question of the desirability of these and other measures, it cer-

tainly seems inappropriate to restrict foreign borrowing in U.S. capital markets and apply capital controls to long-term bank loans, while at the same time requesting \$750 million for the Inter-American Development Bank with its concomitant, adverse impact on the U.S. balance of payments.

BALANCE-OF-PAYMENTS EFFECT OF THIS PROPOSAL

According to Secretary Dillon's testimony, the adverse balance-of-payments effect of this measure will be at least \$150 million. The Secretary stated before the House Committee on Banking and Currency on February 3, 1965, that the Department of the Treasury intends to reach an agreement with the IDB to the effect that approximately 80 percent of the appropriated funds will be used for procurement in the United States. This can be done despite article V, section 1(b)(1) which prohibits members of the IDB from imposing restrictions of any kind upon use by the Bank of more than 50 percent of its contributions to its quota in the FSO.

The resolution of the Board of Directors of the IDB entitled "Increase of Resources of the Fund for Special Operations" made at the April 1964 annual meeting of the IDB states that the additional contributions to the FSO will be considered as a "member's currency" not covered by the provisions of article V, section 1(b). According to article V, section 1(c), such "member's currency" may be used by the Bank or any recipient from the Bank for payments in any country without restriction of any kind, unless the member notifies the Bank of its desire that such currency or a portion thereof be restricted to procurement in the member country.

Secretary Dillon has stated that an 80-percent tying agreement has been discussed with the Bank. It would appear to be a sounder method of proceeding to have this agreement formalized before the Congress appropriates the requested funds. Perhaps it would be appropriate for the United States to exercise its right under article V, section 1(b)(1) to tie to U.S. procurement 50 percent of any future contributions to the Bank's paid-in capital.

There is, secondly, good reason to believe that the negative impact of this proposal upon our balance-of-payments position will be greater than 20 percent of the U.S. contribution of \$750 million (i.e., the untied portion). As was pointed out by Congressman W. E. Brock, Republican, of Tennessee, in the hearings on February 3, 1965, many IDB projects such as local housing and local sewerage projects and the like must of necessity result in local procurement. This problem is allegedly solved by using the letter of credit technique whereby the recipient government sells import licenses to its citizens drawn on the IDB issued dollar denominated letter of credit and uses the local currency generated thereby for the local IDB financed project. The problem is that there is no way of controlling where that local importer spends those dollars and hence there occurs what Secretary Dillon refers to as "leakage." There is no way of telling how great this leakage or substitution is, but in view of the U.S. deteriorating trade position vis-a-vis Latin America as a whole, it is likely that it is substantial. The U.S. share of total Latin American imports has slipped steadily downward from 51.5 percent in 1957 to 38.6 percent in 1963. The figures for the intervening years show a steady downward trend: 1958—47.3 percent; 1959—45.9 percent; 1960—45.1 percent; 1961—44.1 percent; 1962—40 percent; and finally in 1963—38.6 percent.¹

¹ Source: United Nations, "Direction of International Trade" and IMF, "Direction of Trade."

Hence the adverse impact on the U.S. balance of payments may be on the order of 40 or 50 percent of the U.S. contribution (i.e., \$300 to \$375 million) instead of the 20 percent (i.e., \$150 million) which Secretary Dillon suggests.

PREVIOUS HISTORY OF THE IMPACT OF THE OPERATIONS OF THE IDB ON THE U.S. BALANCE-OF-PAYMENTS POSITION

Since 1961 when the Bank started in operation, the United States has paid to the Bank the following amounts: (1) \$150 million during 1960, 1961 and 1962 as paid-in capital; (2) \$394 million in the Social Progress Trust Fund (SPTF) in 1961; (3) \$100 million to the Fund for Special Operations in 1961; (4) \$50 million to the FSO in 1964; (5) \$131 million to the SPTF in 1964. This makes a total of \$825 million. Added to this enumerated outflow of dollars is \$225 million worth of IDB bonds floated in the United States during 1962-64. During that same period only \$47.6 million worth of IDB bonds were floated in the Western European countries of Italy (April 5, 1962—\$24 million in lire), Germany (July 7, 1964—\$15 million in marks), and England (September 2, 1964—\$8.4 million in pounds). That means that the IDB has received \$1,050 million from the United States of total resources amounting to approximately \$1,398 million to use in its lending operations.

Secretary Dillon stated in testimony before this committee on December 4, 1963, that approximately 47 percent of all procurement both identified and unidentified, stimulated by IDB loans has gone to the United States. This would mean that of \$1,165.5 million in total IDB loans approved as of December 31, 1964, approximately \$547.8 million was procured in the United States. Yet we have noted that the IDB has obtained \$1,050 million from the United States to use in its lending operations. That leaves approximately \$503 million U.S. dollars unaccounted for.

As of December 31, 1964, there was on hand approximately \$110 million² worth of currencies available for commitment by the IDB to conduct its three lending operations—ordinary capital, FSO and SPTF. Of that amount approximately 87 million was in dollars, or hard currency convertible into dollars, and approximately \$23 million worth was in local currency.³ Assuming that 47 percent of those remaining funds are used for U.S. procurement, that will mean an additional \$52 million will flow to the United States. Subtracting this figure from the \$503 million unaccounted for dollars contributed by the United States, we see that the approximate adverse impact upon the U.S. balance-of-payments position of the total operations of the IDB over a brief 3-year period has been \$451 million or approximately \$150 million per year.

At a time when the U.S. balance-of-payments position is quite critical and the administration has been compelled to consider several fairly drastic measures to correct the persistent disequilibrium in our balance of payments, this request is difficult to reconcile with the major task of correcting our balance-of-payments problem.

This committee may deem it appropriate to condition its approval of this measure by directing the Secretary of the Treasury to reject any application of the IDB to float new security issues in the U.S. capital mar-

² Annex 2 of Secretary Dillon's testimony before the House Committee on Banking and Currency on Increasing the Resources of the Fund for Special Operations of the Inter-American Development Bank—February 3, 1965, 10 a.m.

³ Source: Information Office—Inter-American Development Bank.